

Union Calendar No. 347

105<sup>TH</sup> CONGRESS  
2D Session

**H. R. 2544**

[Report No. 105-620, Part I]

**A BILL**

To improve the ability of Federal agencies to  
license federally owned inventions.

JULY 14, 1998

Referral to the Committee on the Judiciary extended for  
a period ending not later than July 14, 1998

JULY 14, 1998

Committee on the Judiciary discharged; committed to the  
Committee of the Whole House on the State of the  
Union and ordered to be printed

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 1997

Mrs. MORELLA introduced the following bill; which was referred to the Committee on Science, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

JULY 14, 1998

Reported from the Committee on Science with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

JULY 14, 1998

Referral to the Committee on the Judiciary extended for a period ending not later than July 14, 1998

JULY 14, 1998

Additional sponsors: Mr. SENSENBRENNER, Mr. BROWN of California, Mr. BARCIA, Mrs. TAUSCHER, and Mr. COOK

JULY 14, 1998

Committee on the Judiciary discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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# A BILL

To improve the ability of Federal agencies to license federally owned inventions.

1 *Be it enacted by the Senate and House of Representa-*  
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Technology Transfer*  
 5 *Commercialization Act of 1998”.*

6 **SEC. 2. COOPERATIVE RESEARCH AND DEVELOPMENT**  
 7 **AGREEMENTS.**

8 *Section 12(b)(1) of the Stevenson-Wydler Technology*  
 9 *Innovation Act of 1980 (15 U.S.C. 3710a(b)(1)) is amended*  
 10 *by inserting “or, subject to section 209 of title 35, United*  
 11 *States Code, may grant a license to an invention which is*  
 12 *federally owned, made before the granting of the license, and*  
 13 *directly related to the scope of the work under the agree-*  
 14 *ment,” after “under the agreement,”.*

15 **SEC. 3. LICENSING FEDERALLY OWNED INVENTIONS.**

16 *(a) AMENDMENT.—Section 209 of title 35, United*  
 17 *States Code, is amended to read as follows:*

1 **“§ 209. Licensing federally owned inventions**

2 “(a) *AUTHORITY.*—A Federal agency may grant an  
3 *exclusive or partially exclusive license on a federally owned*  
4 *invention only if—*

5 “(1) *granting the license is a reasonable and nec-*  
6 *essary incentive to—*

7 “(A) *call forth the investment capital and*  
8 *expenditures needed to bring the invention to*  
9 *practical application; or*

10 “(B) *otherwise promote the invention’s uti-*  
11 *lization by the public;*

12 “(2) *the Federal agency finds that the public will*  
13 *be served by the granting of the license, as indicated*  
14 *by the applicant’s intentions, plans, and ability to*  
15 *bring the invention to practical application or other-*  
16 *wise promote the invention’s utilization by the public,*  
17 *and that the proposed scope of exclusivity is not*  
18 *greater than reasonably necessary to provide the in-*  
19 *centive for bringing the invention to practical utiliza-*  
20 *tion, as proposed by the applicant, or otherwise to*  
21 *promote the invention’s utilization by the public;*

22 “(3) *the applicant makes a commitment to*  
23 *achieve practical utilization of the invention within a*  
24 *reasonable time;*

1           “(4) *granting the license will not tend to sub-*  
2           *stantially lessen competition or create or maintain a*  
3           *violation of the Federal antitrust laws; and*

4           “(5) *in the case of an invention covered by a for-*  
5           *foreign patent application or patent, the interests of the*  
6           *Federal Government or United States industry in for-*  
7           *foreign commerce will be enhanced.*

8           “(b) *MANUFACTURE IN UNITED STATES.—A Federal*  
9           *agency shall normally grant a license to use or sell any*  
10          *federally owned invention in the United States only to a*  
11          *licensee who agrees that any products embodying the inven-*  
12          *tion or produced through the use of the invention will be*  
13          *manufactured substantially in the United States.*

14          “(c) *SMALL BUSINESS.—First preference for the grant-*  
15          *ing of any exclusive or partially exclusive licenses under*  
16          *this section shall be given to small business firms having*  
17          *equal or greater likelihood as other applicants to bring the*  
18          *invention to practical application within a reasonable time.*

19          “(d) *TERMS AND CONDITIONS.—Licenses granted*  
20          *under this section shall contain such terms and conditions*  
21          *as the granting agency considers appropriate. Such terms*  
22          *and conditions shall include provisions—*

23                 “(1) *retaining a nontransferrable, irrevocable,*  
24                 *paid-up license for the Federal agency to practice the*  
25                 *invention or have the invention practiced throughout*

1       *the world by or on behalf of the Government of the*  
2       *United States;*

3               “(2) *requiring periodic reporting on utilization*  
4       *of the invention, and utilization efforts, by the li-*  
5       *icensee, but only to the extent necessary to enable the*  
6       *Federal agency to determine whether the terms of the*  
7       *license are being complied with; and*

8               “(3) *empowering the Federal agency to terminate*  
9       *the license in whole or in part if the agency deter-*  
10       *mines that—*

11               “(A) *the licensee is not executing its com-*  
12       *mitment to achieve practical utilization of the*  
13       *invention, including commitments contained in*  
14       *any plan submitted in support of its request for*  
15       *a license, and the licensee cannot otherwise dem-*  
16       *onstrate to the satisfaction of the Federal agency*  
17       *that it has taken, or can be expected to take*  
18       *within a reasonable time, effective steps to*  
19       *achieve practical utilization of the invention;*

20               “(B) *the licensee is in breach of an agree-*  
21       *ment described in subsection (b);*

22               “(C) *termination is necessary to meet re-*  
23       *quirements for public use specified by Federal*  
24       *regulations issued after the date of the license,*

1           *and such requirements are not reasonably satis-*  
2           *fied by the licensee; or*

3           “(D) *the licensee has been found by a com-*  
4           *petent authority to have violated the Federal*  
5           *antitrust laws in connection with its perform-*  
6           *ance under the license agreement.*

7           “(e) *PUBLIC NOTICE.—No exclusive or partially exclu-*  
8           *sive license may be granted under this section unless public*  
9           *notice of the intention to grant an exclusive or partially*  
10           *exclusive license on a federally owned invention has been*  
11           *provided in an appropriate manner at least 15 days before*  
12           *the license is granted, and the Federal agency has consid-*  
13           *ered all comments received in response to that public notice.*  
14           *This subsection shall not apply to the licensing of inven-*  
15           *tions made under a cooperative research and development*  
16           *agreement entered into under section 12 of the Stevenson-*  
17           *Wylder Technology Innovation Act of 1980 (15 U.S.C.*  
18           *3710a).*

19           “(f) *BASIC BUSINESS PLAN.—A Federal agency may*  
20           *grant a license on a federally owned invention only if the*  
21           *person requesting the license has supplied to the agency a*  
22           *basic business plan with development milestones, commer-*  
23           *cialization milestones, or both.*

24           “(g) *NONDISCLOSURE OF CERTAIN INFORMATION.—*  
25           *Any basic business plan, and revisions thereto, submitted*

1 *by an applicant for a license, and any report on the utiliza-*  
 2 *tion or utilization efforts of a licensed invention submitted*  
 3 *by a licensee, shall be treated by the Federal agency as com-*  
 4 *mercial and financial information obtained from a person*  
 5 *and not subject to disclosure under section 552 of title 5,*  
 6 *United States Code.”.*

7       (b) *CONFORMING AMENDMENT.—The item relating to*  
 8 *section 209 in the table of sections for chapter 18 of title*  
 9 *35, United States Code, is amended to read as follows:*

*“209. Licensing federally owned inventions.”.*

10 **SEC. 4. TECHNICAL AMENDMENTS TO BAYH-DOLE ACT.**

11       Chapter 18 of title 35, United States Code (popularly  
 12 known as the “Bayh-Dole Act”), is amended—

13               (1) *by amending section 202(e) to read as fol-*  
 14 *lows:*

15       “(e) *In any case when a Federal employee is a coinven-*  
 16 *tor of any invention made under a funding agreement with*  
 17 *a nonprofit organization or small business firm, the Federal*  
 18 *agency employing such coinventor may, for the purpose of*  
 19 *consolidating rights in the invention—*

20               “(1) *license or assign whatever rights it may ac-*  
 21 *quire in the subject invention from its employee to the*  
 22 *nonprofit organization or small business firm; or*

23               “(2) *acquire any rights in the subject invention,*  
 24 *but only to the extent the party from whom the rights*



1        *are acquired voluntarily enters into the transaction.”;*  
 2        *and*

3                *(2) in section 207(a)—*

4                        *(A) by striking “patent applications, pat-*  
 5                        *ents, or other forms of protection obtained” and*  
 6                        *inserting “inventions” in paragraph (2); and*

7                        *(B) by inserting “, including acquiring*  
 8                        *rights for the Federal Government in any inven-*  
 9                        *tion, but only to the extent the party from whom*  
 10                        *the rights are acquired voluntarily enters into*  
 11                        *the transaction, to facilitate the licensing of a*  
 12                        *federally owned invention” after “or through*  
 13                        *contract” in paragraph (3).*

14    **SEC. 5. TECHNICAL AMENDMENTS TO THE STEVENSON-**  
 15                        **WYDLER TECHNOLOGY INNOVATION ACT OF**  
 16                        **1980.**

17        *Section 14(a)(1) of the Stevenson-Wydler Technology*  
 18        *Innovation Act of 1980 (15 U.S.C. 3710c(a)(1)) is amend-*  
 19        *ed—*

20                        *(1) in subparagraph (A)(i), by inserting “, if the*  
 21                        *inventor’s or coinventor’s rights are assigned to the*  
 22                        *United States” after “inventor or coinventors”; and*

23                        *(2) in subparagraph (B), by striking “succeeding*  
 24                        *fiscal year” and inserting “2 succeeding fiscal years”.*

1 **SEC. 6. REVIEW OF COOPERATIVE RESEARCH AND DEVEL-**  
2 **OPMENT AGREEMENT PROCEDURES.**

3 (a) *REVIEW.*—The Director of the Office of Science and  
4 Technology Policy, in consultation with relevant Federal  
5 agencies, national laboratories, and any other person the  
6 Director considers appropriate, shall review the general  
7 policies and procedures used by Federal agencies to gather  
8 and consider the views of other agencies on—

9 (1) joint work statements under section  
10 12(c)(5)(C) or (D) of the Stevenson-Wydler Tech-  
11 nology Innovation Act of 1980 (15 U.S.C.  
12 3710a(c)(5)(C) or (D)); or

13 (2) in the case of laboratories described in sec-  
14 tion 12(d)(2)(A) of the Stevenson-Wydler Technology  
15 Innovation Act of 1980 (15 U.S.C. 3710a(d)(2)(A)),  
16 cooperative research and development agreements  
17 under such section 12,

18 with respect to major proposed cooperative research and de-  
19 velopment agreements that involve critical national security  
20 technology or may have a significant impact on domestic  
21 or international competitiveness.

22 (b) *PROCEDURES.*—Within one year after the date of  
23 the enactment of this Act, the Director of the Office of  
24 Science and Technology Policy, in consultation with rel-  
25 evant Federal agencies and national laboratories, shall—

1           (1) *determine the adequacy of existing proce-*  
2           *dures and methods for interagency coordination and*  
3           *awareness; and*

4           (2) *establish and distribute to appropriate Fed-*  
5           *eral agencies—*

6                   (A) *specific criteria to indicate the necessity*  
7                   *for gathering and considering the views of other*  
8                   *agencies on joint work statements or cooperative*  
9                   *research and development agreements as de-*  
10                  *scribed in subsection (a); and*

11                   (B) *additional procedures, if any, for carry-*  
12                   *ing out such gathering and considering of agency*  
13                   *views.*

14 *Procedures established under this subsection shall be de-*  
15 *signed to the extent possible to use or modify existing proce-*  
16 *dures, to minimize burdens on Federal agencies, to encour-*  
17 *age industrial partnerships with national laboratories, and*  
18 *to minimize delay in the approval or disapproval of joint*  
19 *work statements and cooperative research and development*  
20 *agreements.*